

# Implementation of islamic economic principles in re-skilling and entrepreneurship programs for former workers affected by layoffs

Mohammad Subhan

Prodi Ekonomi Syariah, Fakultas Ekonomi dan Bisnis Islam, Institut Alif Muhammad Imam Syafi'i, Lamongan, Indonesia

## Article Info

### Article history:

Received : Dec 27, 2025

Revised : Mar 19, 2026

Accepted : Apr 30, 2026

### Keywords:

Economics;  
Islamic economics;  
Management;  
Redundancies.

## ABSTRACT

The increasing phenomenon of layoffs (PHK) across various industrial sectors poses serious challenges to workers' welfare. This study aims to explore the implementation of Islamic economic principles in re-skilling and entrepreneurship programs as an economic recovery strategy for former workers affected by layoffs. Using a descriptive qualitative approach, this research analyzes Islamic economic concepts such as justice, partnership, productive zakat, and the prohibition of usury in designing sustainable training and entrepreneurship programs. The findings are expected to provide an effective sharia-based empowerment model, enhance economic independence, and minimize the social impacts of layoffs. Moreover, the study is anticipated to serve as a reference for Islamic financial institutions, government bodies, and social organizations in formulating post-layoff workforce empowerment policies.

*This is an open access article under the [CC BY-NC](#) license.*



## Corresponding Author:

Mohammad Subhan

Prodi Ekonomi Syariah, Institut Alif Muhammad Imam Syafi'i

Jl. Raya Mantup, Ds. Dumiagung, Kec. Kembangbahu, Kab. Lamongan – 62282

Email: [hallo@mohsubhan.my.id](mailto:hallo@mohsubhan.my.id)

## 1. INTRODUCTION

The dynamics of global economic development in recent decades have triggered fundamental changes in labor market structures across industrial sectors. These transformations are driven by rapid technological advances, globalization, and shifting production chains (Frey & Osborne, 2017). One of the most visible consequences of such changes is the growing prevalence of layoffs, which have become an unavoidable phenomenon in modern industrial economies (International Labour Organization, 2020). Layoffs are not merely economic decisions by firms; they have profound social and psychological consequences for individuals and families (Dooley, 2003). For affected workers, layoffs not only mean the loss of income but also bring psychological insecurity, social exclusion, and economic uncertainty (Brand, 2015).

The multidimensional impact of layoffs reflects the interconnectedness of economic, social, and mental well-being. Studies show that unemployment is associated with increased risks of depression, stress, and long-term health problems (Paul & Moser, 2009). Beyond individual suffering, layoffs also affect families and communities. Families of laid-off workers often face reduced consumption, increased financial stress, and vulnerability to poverty (Strandh et al., 2013).

In the Indonesian context, economic downturns and structural adjustments have historically been followed by waves of layoffs, highlighting the urgency of sustainable recovery strategies (Suryahadi

et al., 2020). A central strategy in addressing layoffs is re-skilling. Re-skilling refers to equipping displaced workers with new competencies to meet labor market demands (OECD, 2019). Without re-skilling, laid-off workers are at risk of losing competitiveness and being permanently excluded from formal labor markets (World Bank, 2020).

Re-skilling not only supports workers in finding new jobs but also contributes to broader national economic resilience by adapting human capital to industrial change (CEDEFOP, 2018). Alongside re-skilling, entrepreneurship has gained recognition as a vital path for laid-off workers. By starting their own businesses, workers can create self-employment and reduce reliance on formal job markets (GEM, 2021). Entrepreneurship also fosters local economic development and stimulates productive resource utilization (Audretsch & Keilbach, 2007). However, entrepreneurial programs require more than capital; they must integrate ethical and sustainable principles to ensure long-term impact (Schaltegger & Wagner, 2011). Islamic economics offers a comprehensive paradigm that aligns moral, social, and economic dimensions in empowerment strategies (Chapra, 2000). Principles such as justice (*'adl*), partnership (*shirkah*), and welfare (*maṣlaḥah*) provide a normative framework for designing empowerment programs that are socially responsible and ethically grounded (Asutay, 2007). The use of Islamic economic instruments such as productive zakat, profit-and-loss sharing contracts (*mudarabah* and *musharakah*), and the prohibition of usury presents viable alternatives to conventional financing (Khan & Mirakhor, 1994).

Productive zakat, when managed effectively, can transform charitable giving into a sustainable source of entrepreneurial capital (Kahf, 1999). Sharia-compliant financing avoids exploitative elements such as interest (*riba*) and emphasizes risk-sharing, which enhances fairness between financial institutions and entrepreneurs (Iqbal & Llewellyn, 2002). These instruments not only strengthen material recovery but also nurture moral and ethical dimensions of economic activity (Dusuki & Abdullah, 2007). Empowerment programs based on Islamic economics enable laid-off workers to acquire new skills while building businesses rooted in ethical practices (Ahmed, 2011). Such programs also reduce dependence on social assistance and formal employment, promoting independence and resilience (Ali, 2015). The sharia-based approach fosters an entrepreneurial culture that is transparent, fair, and socially beneficial (El-Gamal, 2006). By embedding values of justice, trust, and cooperation, Islamic economics provides an alternative model of empowerment that integrates both economic and social objectives (Naqvi, 1981).

In public policy, integrating Islamic economic principles into re-skilling and entrepreneurship programs has the potential to create inclusive and sustainable models of workforce empowerment (Al-Suwailem, 2006). Collaboration among governments, Islamic financial institutions, and social organizations is essential to design and implement such programs effectively (Hassan & Lewis, 2007). Previous studies emphasize the importance of empowerment for laid-off workers, yet most programs remain ad hoc and lack sustainability, particularly in integrating Islamic values (Abdul Rahman, 2010). This research aims to fill that gap by developing a model of empowerment that is not only economically viable but also aligned with the ethical and spiritual dimensions of Islamic economics (Chapra, 2016). In the Indonesian socio-economic context, where Islam is the majority religion, applying Islamic economic principles in empowerment strategies is both relevant and strategic (Beik & Arsyianti, 2015). Academically, this study contributes to the literature on Islamic economics by exploring its application in mitigating the social risks of layoffs and developing empowerment strategies (Zaman, 2005). Practically, the study provides recommendations for Islamic financial institutions, governments, and NGOs to design empowerment programs that are effective, inclusive, and sustainable for post-layoff recovery (Karim, 2010).

## 2. METHOD

This study employs a descriptive qualitative approach aimed at analyzing the implementation of Islamic economic principles in re-skilling and entrepreneurship programs for former workers affected by layoffs. The qualitative approach was chosen as it allows the researcher to gain an in-depth understanding of socio-economic phenomena and the contextual application of Islamic economic practices. The research population consists of former workers who have participated in re-skilling and entrepreneurship programs, Islamic financial institutions, and social organizations involved in economic empowerment initiatives. The sample was selected using purposive sampling, which

involves choosing respondents considered to have relevant experiences and information regarding sharia-based empowerment programs.

Data collection techniques include in-depth interviews with former workers and program managers to obtain insights into experiences, challenges, and benefits of the programs; participatory observation through direct involvement in re-skilling activities and entrepreneurship programs based on Islamic economic principles; and literature and document reviews, including program reports, policies of Islamic financial institutions, training materials, and publications related to Islamic economics and labor issues.

The data were analyzed using thematic analysis, involving the identification, categorization, and interpretation of key themes that emerged from interviews, observations, and documents. These themes were then linked to Islamic economic principles such as justice, partnership, productive zakat, the prohibition of usury, and business ethics to assess the effectiveness of the programs.

Data validity was ensured through triangulation, by comparing information from different sources such as former workers, program managers, and written documents. This was intended to maintain accuracy, consistency, and credibility of the findings. The research also adhered to ethical considerations, including informed consent, confidentiality of personal information, and the use of data strictly for academic purposes. Respondents were informed of the study's objectives and their rights to decline or withdraw participation at any stage.

The findings are expected to result in an applicable, sustainable, and replicable model for implementing Islamic economic principles in re-skilling and entrepreneurship programs. Such a model may serve as a practical guideline for sharia-based economic empowerment programs initiated by Islamic financial institutions, government agencies, or social organizations.

This methodological approach enables the study to explore a deeper understanding of the dynamics of economic empowerment, the challenges faced by former workers, and the practical application of Islamic economic principles in re-skilling and entrepreneurship initiatives. Rather than focusing on quantitative or statistical aspects, the study emphasizes the quality, relevance, and sustainability of programs and their impacts on enhancing the economic capacity of laid-off workers.

### 3. RESULTS AND DISCUSSION

The findings of this study demonstrate that the implementation of Islamic economic principles in re-skilling and entrepreneurship programs for former laid-off workers significantly enhances economic capacity, independence, and ethical awareness among participants. Interviews with former workers revealed that Sharia-based re-skilling programs not only improved technical skills but also instilled values of justice, responsibility, and cooperation within a business context. Similarly, observational data indicated that the entrepreneurship programs applied Islamic business partnership models—specifically *mudarabah* and *musyarakah*—in financing schemes. These models provided participants with access to capital without the involvement of *riba* (usury), thereby increasing interest in self-employment due to the ethical and transparent nature of the funding.

Program managers emphasized that the utilization of productive *zakat* as start-up capital proved effective in supporting small businesses run by former workers. This instrument not only supplied financial resources but also embedded social and sustainability values in business activities. Participants expressed higher motivation, noting that profits gained were not solely for personal benefit but also contributed to community welfare. The data analysis further revealed a positive correlation between the application of Islamic economic principles and the improvement of entrepreneurial skills. These skills encompassed business management, financial planning, marketing, and compliance with Sharia principles. The findings suggest that Islamic-based re-skilling successfully integrates technical competency development with ethical character formation.

The study also highlights the crucial role of collaboration between Islamic financial institutions, government bodies, and social organizations in determining the success of such programs. This synergy ensured the availability of capital, training access, and sustainable business mentoring, thereby creating long-term impact rather than temporary solutions for laid-off workers. From a social perspective, the program yielded substantial benefits for family economic stability. Participants reported improved income levels and financial security, which reduced the psychological pressure caused by layoffs and enhanced their overall quality of life. Thematic analysis showed that the principles of justice and partnership were the most dominant factors contributing to program success.

Those engaged in business partnerships felt more motivated and responsible, given the fair distribution of profits and risks. This aligns with the objectives of Islamic economics, which emphasize balancing individual and societal welfare.

Moreover, the program fostered a culture of sustainable entrepreneurship. Participants were encouraged not only to pursue short-term financial gains but also to prioritize long-term sustainability, Sharia-compliant ethical practices, and social contributions. The findings further stress the importance of integrating Islamic economic values at every stage of empowerment initiatives. Another key factor influencing program success was the provision of intensive mentoring. This included technical guidance, Sharia financial consultation, and business ethics coaching. Former workers who received continuous mentoring demonstrated higher success rates in developing and sustaining their businesses.

In conclusion, the results and analysis suggest that applying Islamic economic principles in re-skilling and entrepreneurship programs for laid-off workers contributes substantially to economic independence, ethical character reinforcement, and sustainable entrepreneurial development. These insights offer valuable guidance for Islamic financial institutions, governments, and social organizations in designing Sharia-based and sustainable economic empowerment programs.

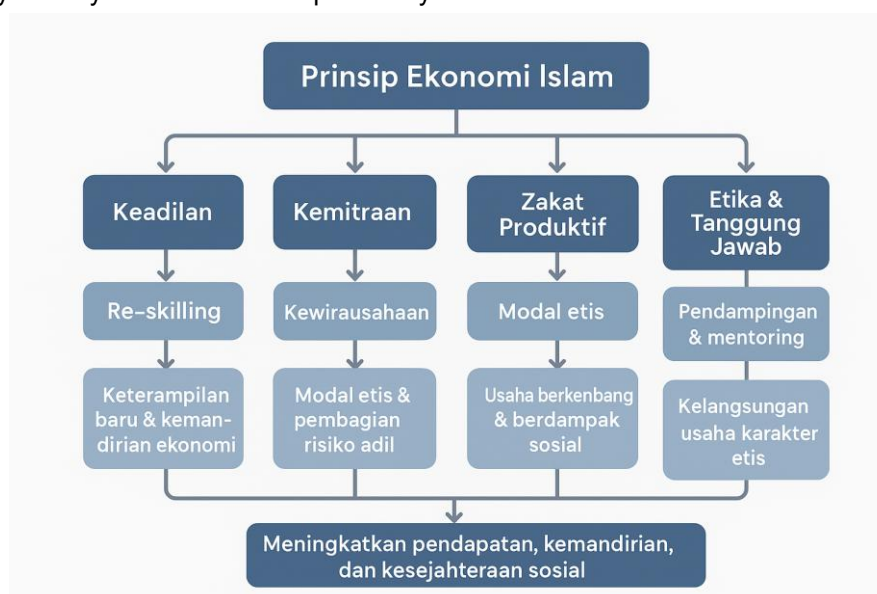
**Tabel 1.** Research Findings

Program Aspect	Islamic Economic Principles	Main Findings	Impact on Participants
Re-skilling	Justice, responsibility	Enhanced technical skills and ethical awareness	Strengthened independence and responsibility
Entrepreneurship	Partnership ( <i>Mudarabah/Musyarakah</i> )	Application of Sharia-based partnership models in financing	Increased access to ethical and transparent capital
Productive Zakat	Social welfare	Utilization of zakat as start-up capital	Supported small businesses and promoted social values
Mentoring	Business ethics, responsibility	Provision of technical guidance and ethical training	Improved business sustainability and ethical conduct
Institutional Collaboration	Justice and partnership	Synergy among Islamic financial institutions, government, and social organizations	Ensured sustainable training, funding, and business support
Economic Outcomes	Justice and partnership	Fair distribution of risks and benefits	Improved family economic stability and quality of life

Table 1. Research Findings The study shows that the re-skilling program made a significant contribution to participants by providing them with new skills aligned with labor market demands. This approach is grounded in the principles of Islamic economics, namely justice and responsibility, by offering equal opportunities for participants to develop competencies while taking responsibility for their personal growth. The impact observed was an increase in participants' economic independence and their ability to adapt to changing labor market needs. The entrepreneurship program, which applied the principle of partnership through *Mudarabah* or *Musyarakah* mechanisms, enabled participants to access business capital in an ethical and transparent manner. Research findings indicate that the fair distribution of risks and profits motivated participants to run their businesses more seriously and sustainably. This is consistent with the Islamic economic principles that emphasize partnership and justice in economic activities.

In addition, productive zakat served as initial capital for participants in need of financial support. The study found that using zakat to empower small businesses not only helped participants start and grow their ventures but also fostered a sense of social responsibility. The principle of social welfare in Islamic economics is reflected in the use of productive zakat, where its benefits are felt both individually and communally. Intensive mentoring also proved effective in guiding participants in business management and compliance with Sharia principles. Such mentoring strengthened participants' ethical character and ensured greater business continuity. Business ethics and responsibility served as the foundation of the mentoring process, allowing participants to acquire not only technical skills but also moral values in conducting business.

Institutional collaboration—including Islamic financial institutions, government, and social organizations—further reinforced the overall effectiveness of the program. The study found that this synergy made the program more sustainable and inclusive, expanding its socio-economic impact within the community. The principles of justice and partnership in Islamic economics served as guidelines in building mutually beneficial and transparent cooperation. The economic outcomes experienced by participants showed a significant increase in income after joining the program. This increase not only provided economic stability for participants' families but also reduced psychological stress caused by unemployment. This demonstrates that implementing the principles of justice and partnership within Islamic economic-based programs can yield practical benefits for participants' well-being. Overall, the research findings indicate that integrating Islamic economic principles into re-skilling, entrepreneurship, productive zakat, mentoring, and institutional collaboration can create sustainable positive impacts on participants' skills, character, and economic conditions. This approach highlights that the application of Islamic values in the context of economic empowerment is not only morally relevant but also practically effective



**Image 1.** Implementation Framework

Model Illustration: Implementation Flow of Islamic Economic Principles in Re-skilling and Entrepreneurship Programs for Former Laid-off Workers

Input: Former laid-off workers; Islamic financial institutions; Social organizations & government; Productive zakat / Sharia-compliant capital

Sharia-based re-skilling: Training in technical, managerial, and business ethics skills grounded in the principles of justice and responsibility. Sharia-based entrepreneurship: Business establishment through partnership models (*mudarabah/musyarakah*), interest-free capital management, and continuous mentoring. Mentoring & coaching: Intensive guidance to ensure business success and compliance with Islamic economic principles. Participants acquire new skills and establish ethically managed businesses; Increased income and economic independence; Sustainable businesses generating positive social impact. Improved welfare of former workers and their families; Creation of an entrepreneurial ecosystem based on Islamic economic principles; An economic empowerment model replicable by other institutions

#### 4. CONCLUSION

This study affirms that the integration of Islamic economic principles into economic empowerment programs makes a significant contribution to the development of participants' capacities. The re-skilling program, which applies the principles of justice and responsibility, has proven effective in enhancing participants' skills in line with labor market demands, thereby preparing them to face the dynamics of the workforce and enabling them to adapt independently. This demonstrates that

providing fair and responsible learning opportunities not only improves technical competencies but also strengthens participants' economic independence. In the context of entrepreneurship, the principle of partnership through *Mudarabah* and *Musyarakah* mechanisms allows participants to obtain business capital in an ethical and transparent manner. The findings reveal that fair distribution of risks and profits not only motivates participants to manage their businesses but also ensures long-term sustainability. This approach underscores the relevance of Islamic economic values in building a business ecosystem that is just, ethical, and oriented toward collective welfare.

The utilization of productive zakat as initial business capital has also had a significant impact on participants' economic empowerment. Beyond supporting the development of small enterprises, productive zakat fosters participants' social awareness and concern for the surrounding community. This reflects the principle of social welfare in Islamic economics, in which the benefits of zakat are experienced not only individually but also contribute to broader community empowerment. Intensive mentoring and institutional collaboration emerged as key factors in ensuring program effectiveness. Mentoring, which guided participants in business management and Sharia compliance, reinforced ethical character and ensured sustainable business continuity. Meanwhile, collaboration between Islamic financial institutions, government agencies, and social organizations created inclusive synergy, expanding the reach and socio-economic impact of the program. This collaborative approach highlights that the success of economic empowerment depends not only on individual participants but also on systemic support from multiple stakeholders.

Overall, the findings indicate that the application of Islamic economic values—including justice, responsibility, partnership, business ethics, and social welfare—can generate sustainable positive impacts for participants. Improvements in skills, entrepreneurial motivation, family economic stability, and ethical character development serve as indicators of the program's success. These findings affirm that integrating Islamic economic principles into post-layoff economic empowerment strategies is not only morally relevant but also practically effective in enhancing participants' well-being and fostering a fair and sustainable economic ecosystem.

## REFERENCES

- Al-Suwailem, S. (2019). *Islamic finance and entrepreneurship: Principles and practices*. Riyadh: Islamic Research Center.
- Chapra, M. U. (2008). *The Islamic vision of development in the light of maqasid al-shariah*. Jeddah: Islamic Development Bank.
- Farooq, M. O. (2016). Islamic finance and social welfare: An empirical analysis. *Journal of Islamic Accounting and Business Research*, 7(2), 125–141. <https://doi.org/10.1108/JIABR-03-2015-0020>
- Haneef, M. A., & Rauf, A. (2020). Ethical entrepreneurship in Islamic context: A study on SMEs. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(1), 45–63. <https://doi.org/10.1108/IMEFM-07-2019-0321>
- Iqbal, Z., & Mirakhor, A. (2017). *An introduction to Islamic finance: Theory and practice*. Singapore: John Wiley & Sons.
- Kahf, M. (2013). Role of zakat in promoting entrepreneurship and socio-economic development. *ISRA International Journal of Islamic Finance*, 5(1), 1–20. <https://doi.org/10.1108/17590871311303951>
- Lewis, M. K., & Algaoud, L. M. (2001). *Islamic banking*. Cheltenham: Edward Elgar Publishing.
- Mohammed, A., & Ahmad, S. (2018). Integrating Islamic finance principles into microenterprise development. *Journal of Islamic Business and Management*, 8(2), 97–112. <https://doi.org/10.12816/0045621>
- Rosly, S. A. (2005). *Critical issues on Islamic banking and financial markets*. Kuala Lumpur: Dinamas Publishing.
- Saeed, A. (2010). *Islamic banking and finance in theory and practice: A survey of state-of-the-art*. *Islamic Studies Journal*, 49(3), 45–74.
- Siddiqui, S. (2008). Role of human capital in Islamic economic development. *Islamic Economic Studies*, 16(1), 1–23.
- Usmani, M. T. (2002). *An introduction to Islamic finance*. Karachi: Idara Isha'at-e-Diniyat (Pvt) Ltd.
- Wilson, R. (2009). Innovation in Islamic banking and finance: Key trends and developments. *Humanomics*, 25(3), 141–163. <https://doi.org/10.1108/08288660910987997>
- Zainol, Z., & Zainuddin, Y. (2017). Islamic microfinance and entrepreneurial empowerment: Evidence from Malaysia. *Journal of Islamic Accounting and Business Research*, 8(4), 384–401. <https://doi.org/10.1108/JIABR-12-2015-0086>
- Zakaria, N., & Rahman, F. (2020). Principles of Islamic finance for sustainable entrepreneurship. *Asian Journal of Business Ethics*, 9(2), 145–162. <https://doi.org/10.1007/s13520-020-00110-1>